

VZCZCXYZ0010
RR RUEHWEB

DE RUEHLGB #1114/01 3441512
ZNR UUUUU ZZH
R 101512Z DEC 07
FM AMEMBASSY KIGALI
TO RUEHC/SECSTATE WASHDC 4964
INFO RUEHDS/AMEMBASSY ADDIS ABABA 0145
RUEHJB/AMEMBASSY BUJUMBURA 0206
RUEHDR/AMEMBASSY DAR ES SALAAM 1022
RUEHKM/AMEMBASSY KAMPALA 1782
RUEHKI/AMEMBASSY KINSHASA 0341
RUEHNR/AMEMBASSY NAIROBI 1092
RUEHFR/AMEMBASSY PARIS 0385

UNCLAS KIGALI 001114

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DEPARTMENT FOR AF/C
DEPARTMENT PASS USTDA: EEBONG
DEPARTMENT PASS USTR: WJACKSON
DEPARTMENT PASS COMMERCE: RTELCHIN
DEPARTMENT PASS OPIC: BCAMERON
ADDIS ABABA FOR LISA BRODEY

E.O. 12958: N/A

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SUBJECT: RWANDA MONTHLY ECONOMIC REVIEW

REF: KIGALI 1092

DONOR SUPPORT

¶11. EU Increases Aid: The European Union (EU) Commissioner for Development and Humanitarian Aid Louis Michel announced that the EU will increase its aid to Rwanda by 30 percent to USD 313 over the next five years. Michel announced that the EU considers Rwanda one of the three best performers among the Africa, Caribbean and Pacific (ACP) countries, and the increase is in recognition of that accomplishment. In fact, 80% of the EU's aid will be channeled to direct budget support. In the last five years, the EU has given Rwanda approximately USD 204 million in aid.

¶12. UN Consolidates Assistance: Finance Minister James Musoni announced that under the "One UN" program, UN agencies will make a contribution of USD 488 million to Rwanda over the next five years. The "One UN" program consolidates UN agencies operating in Rwanda under one roof to achieve the eight Millennium Development Goals (MDGs). A single UN budgetary framework will provide a complete picture of total support to Rwanda under the UN Development Assistance Framework (UNDAF). The program will focus on five key areas drawn from national priorities articulated in the Economic Development Poverty Reduction Strategy (EDPRS): good governance, education, health, social cohesion, and environmental protection. Rwanda was selected as one of the eight pilot countries for the "One UN" program.

¶13. Hydro Power Grant: The EU announced a USD 3 million grant to carry out feasibility studies that will help Rwanda produce hydroelectric power at the Rusizi River falls, which has the potential to produce 82 megawatts (MW) of electricity (Note: total annual electricity demand for Rwanda in 2006 was 80MW. End Note). If successfully developed, Rwanda would be able to export power to countries in the energy-hungry Great Lakes Region. The study is expected to take two years and will be carried out by German firm Bureau Fichtner.

¶14. New Weaving Center: The German Cooperation (GTZ) opened a USD 35,000 training center for a basket weavers' cooperative in the Muhanga district of the Southern Province. The baskets will also be sold at the center. GTZ will also attempt to find new markets in Europe.

¶5. Development Partners Meeting: The Government of Rwanda (GOR), in collaboration with the donor community, hosted a two-day conference under the theme "Stimulating Growth for Poverty Reduction." The conference's goals were to provide a framework for predictable funding to successfully implement Rwanda's EDPRS and articulate Rwanda's key strategies for development (reftel).

NEW LOANS

¶6. Infrastructure Loans: The Arab Bank for Economic Development in Africa (BADEA) approved a loan of USD 10 million to the GOR to rehabilitate the Gitarama-Mukamira road. BADEA's total loan portfolio in Rwanda is now USD 82 million, all for infrastructure projects - road repairs and hydroelectric power station rehabilitations.

DEVELOPMENT INDICATORS

¶7. Increased Life Expectancy: According to the recently released World Bank Africa Development Indicators (ADI), Rwandans have made the greatest gains in life expectancy in Africa over the last decade. Rwanda registered a 12-year increment (FYI: For the purposes of comparison, Uganda had a seven-year increase. End FYI). Rwanda's life expectancy increased from 38.99 years in 2001 to 52.73 in 2007.

ENVIRONMENT AND CONSERVATION

¶8. Annual Tree Planting: The Ministry of Lands, Environment, Forestry, Water and Mines announced plans to plant at least 100 million trees across the country during the annual tree-planting campaign. The UN Environment Program (UNEP) ranked Rwanda among the world's best performers in terms of planting trees. Rwanda is ranked sixth in the world and third on the continent behind Ethiopia and Kenya after planting over 50 million trees from January to the beginning of this December.

COMMERCIAL NEWS

¶9. Increased Airport Charges: The Civil Aviation Authority (CAA) announced plans to increase airport charges, some by more than 50 percent in 2008. This increase would double CAA's revenue from the current USD 8.5 million to an expected USD 17 million. CAA is also looking to raise money from increased rent charged to duty-free shops and airline companies.

¶10. Cement From China: The Ministry of Commerce Secretary General Justin Nsengiyumva announced plans to import cheap cement from China to augment the local supply, as the price of cement in Rwanda has increased by 25 percent in the past three months alone. The country's current annual demand is estimated at 25,000 tons while domestic production is only 12,000 tons. Imports of cement from China will reduce the price of imported cement to USD 16 per bag of 50 kilogram from USD 20.

¶11. Oil in Rwanda: Vangold Resources Limited, a Canadian firm specializing in the exploration of energy resources, signed a technical evaluation agreement with the Ministry of Infrastructure to explore potential oil deposits in the Kivu Graben basin along the frontiers of Rwanda and Democratic Republic of Congo (DRC). Structurally, Kivu Graben is the southern extension of the Albertine Graben in Uganda, where companies Tullow Oil and Heritage Oil have made major oil discoveries. The aeromagnetic and gravity surveys will be conducted over a period of 18 months at an estimated cost of USD 1.2 million. Vangold was also granted a "Right of First Option" to negotiate and execute a contract for the exploration and exploitation of the hydrocarbons if deposits are identified.

¶12. Regional Farmer Support Center: Starbucks chairman Howard Schultz announced that his company will open a regional Farmer Support Center in Rwanda. The facility will

have an agronomist on its staff and will collaborate with farmers in Rwanda and in the East African region on production volume and quality. Starbucks' commitments include doubling the amount of East African coffee purchased by 2009 and more than USD 4 million to help East African coffee farmers improve their communities through funding projects such as schools and bridges. Schultz also announced plans to provide USD 1 million to provide access to low interest loans to East African coffee farmers through the non-profit lender Root Capital.

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